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1 OFFICIAL TRANSCRIPT - PUBLIC HEARING KENAI

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3 MINERALS MANAGEMENT OFFICE

4

5 January 25, 2003

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7 DRAFT ENVIRONMENTAL IMPACT STATEMENT

8 FOR COOK INLET PLANNING AREA

9 OIL AND GAS LEASE SALES 191 AND 199

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1 P R O C E E D I N G S

2 (Kenai, Alaska - 1/25/2003)

3 HEARING OFFICER GOLL: Good morning. My  
4 name is John Goll and I'm the Regional Director with the  
5 Minerals Management Service, and I think probably at this  
6 hearing today we'll have people coming and going and so  
7 we thought we would definitely start on time. Some  
8 places like to wait until everybody comes.

9 But our purpose, again, here today is to  
10 get comments on our Draft Environmental Impact Statement  
11 for two sales in the Cook Inlet. Before we start one  
12 familiar thing I've seen done by other groups is just to  
13 have a real quick safety minute of where the exits are in  
14 case we need to, I guess out this door and out this door,  
15 you all are more familiar with this place than we are so  
16 we'll follow you out if there's an earthquake or whatever  
17 happens, we'll follow your lead. As I mentioned, again,  
18 we are asking for comment on a Draft Environmental Impact  
19 Statement that we've prepared and copies are available on  
20 paper, on CD disk, on our web site and information,  
21 again, is at the table with regard to that.

22 We're proposing two sales in the Federal  
23 portion of Cook Inlet which is the waters three miles and  
24 beyond from shore. The first one is proposed for May of  
25 2004 and the second would be two years later in 2006.

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1                   Why are we doing this sale? Well, every  
2 five years the Department of Interior has to put  
3 together, under the law that we operate, the Outer  
4 Continental Shelf Lands Act, a plan for oil and gas in  
5 the nations offshore areas. And what we were seeing up  
6 here, a lot of the meetings that I have been attending  
7 and others, was there seemed to be, again, a concern in  
8 this area with regard to natural gas supplies, oil  
9 supplies, things of that nature. And so we know there  
10 are searches for oil and gas onshore, also in State  
11 waters, but if those areas are not of -- supplies are not  
12 sufficient in those areas, we also foresee that there  
13 could be good quantities of oil and gas in the Federal  
14 portion of Cook Inlet, so we wanted that option to be  
15 available if people wanted to take advantage of it. So  
16 we really see this as more of what we call a local sale,  
17 that is, the product would probably be used more locally  
18 here in Southcentral Alaska, some of the industries here  
19 for heating homes, electricity, things of that nature  
20 versus the traditional sales that we have, for example,  
21 in the Gulf of Mexico where it really ends up all across  
22 the country.

23                   Some of the issues that we heard, about a  
24 year or so ago we started the process of going around and  
25 talking throughout communities with some of the Native

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1 tribal councils, comments in writing and in talking to  
2 people, and some of the issues that we heard and that we  
3 tried to evaluate within the document centered on water  
4 quality and discharges, subsistence, habitat disturbance,  
5 accidental spills, commercial and recreational fishing,  
6 some of the social and economic effects including visual  
7 effects. Economic effects included jobs and other things  
8 that people were concerned about.

9                   There was also, with regard to the sale  
10 that we held five years ago, the Kenai Borough and the  
11 two neighboring boroughs came up with what is called the  
12 tri-borough agreement and we also started with that as  
13 some of the issues that we knew we would need to address.  
14 And that included not having any production sent out by  
15 tankers, making sure that any conflicts fishing gear  
16 conflicts would be taken care of, spill prevention and  
17 planning was thoroughly available to identify critical  
18 habitat and revenue sharing. And I think, again, we  
19 tried to address all of those. The first four we have  
20 some control about, the fifth one, revenue sharing really  
21 takes an Act of Congress. There was an effort a couple  
22 of years ago, if you were familiar with it, the CARA  
23 Legislation, that got through in a minor way and whether,  
24 again, I know the State of Louisiana and some of the ones  
25 in the Gulf and other places around the country are still

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1 interested in trying to pursue that in the future.

2                   What we tried to do with regard to these  
3 issues is, of course, to look at the recent research that  
4 has been going on over the last 10 years or more, and for  
5 example on some of the water quality issues, the zero  
6 discharge, the health effects with regard to the fish and  
7 such we tried to summarize within these documents what  
8 that research was saying and what it means. And of  
9 course, we're looking for comment on that, whether we  
10 think we got it right or not, to get people's views.  
11 Essentially we did not see too many effects from the  
12 activity that has been there and from the research. It's  
13 showing fairly minimal. Part of that is because of the  
14 dynamics of Cook Inlet.

15                   We are also evaluating several, what we  
16 call stipulations, within the -- that we might attach to  
17 the sales. That, again, goes to prevent conflict with  
18 the fisheries, such that companies would have to  
19 coordinate with the fishing community. Protection of  
20 biological resources. An orientation program for  
21 workers, so that all workers on any offshore platform or  
22 exploration vessel would be familiar with what was  
23 important to the communities with regard to subsistence,  
24 fishing, the culture, the do's and don't's, again, of  
25 working in this community. And also to encourage the use

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1 of pipelines rather than tankering, again, to address the  
2 tri-borough agreement. We also list, within these  
3 documents what we refer to as information to lessees.  
4 And they are more of a summary of all the other  
5 requirements that we, and other agencies, put on the  
6 industry. For example, with regard to marine mammals,  
7 companies have to follow the Marine Mammal Protection  
8 Act. We have to consult with Fish and Wildlife Service,  
9 National Marine Fisheries Service with regard to  
10 endangered species. We require, and the state of Alaska  
11 requires very specific oil spill contingency plans based  
12 on where the activity actually would occur, to make sure  
13 that there's sufficient equipment and that they know  
14 where the key areas to protect if a spill were to occur.  
15 EPA is responsible for drilling discharges. And we put  
16 people on notice that they're going through, again, a new  
17 process to look at the permits here in Cook Inlet. And,  
18 of course, one of those and one of the issues that we're  
19 hearing from people is the request for zero discharge and  
20 I believe, again, they will be evaluating that issue.

21 And, of course, MMS, we have an extensive  
22 rule system be it for oil, gas, pipelines that goes into  
23 very detailed requirements with regard to engineering  
24 using national standards that are set, oil spill  
25 contingency plans and such.

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1                   We are also reviewing two possible, what  
2 we call deferrals from this sale, that is, areas that  
3 we're considering we might take out. That decision has  
4 not been made but we're looking at the two areas. One is  
5 off the southern area of the Peninsula. There's a map  
6 back here on the wall, off of Port Graham, Nanwalek,  
7 Seldovia, that area. When we went around and visited  
8 those communities and others, there was some concern  
9 about subsistence and so that deferral area is what we're  
10 looking at connected again with those issues.

11                   A second area is an area around the  
12 Barren Islands and the southern entrances into Cook  
13 Inlet, which are trying to address a lot of the marine  
14 mammals in that area, seals, whales, endangered species  
15 and what, again, we've been told about the currents and  
16 the weather, the ocean down in that area.

17                   We also did include from the sale,  
18 through our five year planning process, Shelikof Strait.  
19 So this sale goes as south to the entrance of Shelikof  
20 but it does not go into Shelikof Strait itself.

21                   What do we foresee happening if this sale  
22 goes forward? In the past, we, I guess, overestimated  
23 the results of many of our sales here in Alaska. We  
24 tried to really take a much more realistic look and we  
25 foresee as a result of these two sales, it, again, would

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1 be sort of the pioneers getting back into the ocean here.  
2 And resulting in probably a limited amount of exploration  
3 and development initially to see, again, are there the  
4 resources out there that, you know, the geologist think  
5 that there might be. As a result of these two sales we  
6 see, you know, maybe one platform going in at some time.  
7 It's really, you know, what would need to happen first is  
8 to get a drill ship and then it's the logistics of how  
9 many areas such a ship could drill, and that would only  
10 be perhaps a couple wells a year, and to be able to  
11 delineate here, again, we see that probably being a  
12 longer term kind of project. But what this would do,  
13 again, it would be back to test. Are there resources  
14 that are economically developable here in Cook Inlet,  
15 both from an oil and gas standpoint.

16                   We were hearing more, though, with regard  
17 to the natural gas issue. And the last wells that were  
18 drilled here were I think in about 1984 and at that time  
19 people were looking for oil. But these days, again, what  
20 we're hearing more is the need for natural gas, again,  
21 for some of the industries in this area and the need for  
22 Southcentral Alaska, primarily natural gas is one of the  
23 fuels, of course, that we use. So it could be oil, it  
24 could be natural gas that people, again, might be  
25 searching for.



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1                   What would happen, again, if a company --  
2 let's say if we do go ahead with the sale in May of 2004,  
3 we go through what we call a fair market value  
4 determination to make sure that companies bid  
5 sufficiently such that the government is getting its fair  
6 share. If there are multiple bids on a tract, three or  
7 more, then we let the competition take care of itself.  
8 But if there's not, then we also do an independent  
9 review. If companies are successful in getting leases  
10 then, of course, they go into the exploration phase. And  
11 at that time we also go through a full review of what  
12 they're planning. That includes an environmental review,  
13 most likely an environmental assessment. And the company  
14 also has to submit that for Coastal Zone Consistency. If  
15 they go out and find something, then at that time they  
16 would also have to present to us and to other agencies a  
17 development plan. And probably for the first one up  
18 here, that might more likely be an Environmental Impact  
19 Statement, even though that's not a requirement by law,  
20 you really look at what the issues are. We, again, would  
21 have to reevaluate the engineering, the technical side,  
22 is the platform that they're proposing, is it sufficient  
23 for the waters that they're developing. You know, we  
24 know there are earthquakes, volcanos, rough seas here, we  
25 would want to make sure that the design is well done.

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1 And it has to also, again, go through Coastal Zone  
2 Consistency with the State. Other agencies are involved,  
3 the Coast Guard, the Environmental Protection Agency, the  
4 State of Alaska, you know, with regard to different parts  
5 of the plan.

6 This is our last public hearing. We've  
7 been this week, Tuesday we were in Seldovia, let's see  
8 Thursday night we were in Homer, today we're here. We  
9 had a hearing in Anchorage last week. Tuesday, I believe  
10 it is, we have a phone-in period for communities,  
11 especially that were not able to come to hearings. The  
12 public comment period, there's information on the table,  
13 closes on February 11th. We invite you to comment today  
14 in person, but if you would rather not and send in  
15 comments there's several ways to do that, one, of course,  
16 by letter; second e-mail, we have an e-mail address; and  
17 like I mentioned there is the phone-in next week.

18 So maybe I'll first ask if there's any  
19 questions that we can answer?

20 (Question and answer session)

21 I introduced myself, I'm John Goll, the  
22 Regional Director. My office is in Anchorage, with our  
23 staff. And we also have Renee Orr with us who is from  
24 our Headquarter's Office. She's head of the leasing  
25 division, so we're glad that Renee came up because we

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1 have to prepare all the paper here, do all the  
2 evaluation, come to conclusions that we then forward to  
3 Renee's office and she gets to work with the people that  
4 are actually making the decisions back there. So, you  
5 know, some of the summaries of things -- all of this, of  
6 course, the Secretary and others can't read so that all  
7 gets -- we try to limit it down to what the real key  
8 issues are. And some of the issues will be with regard  
9 to the stipulations that I mentioned. The deferral  
10 areas, whether to take those out or to leave them in.  
11 Issues such as that.

12                   Albert Barros, who is our community  
13 liaison. He, actually, I want to just mention, was the  
14 Federal employee of the year for Alaska two years ago.  
15 He helped to put together some of the government-to-  
16 government policies for the Department of the Interior  
17 with regarding the meetings with tribes, and we all are  
18 working with that, you know, as we can.

19                   Jim Lima there has maybe the hardest job  
20 of all, he was the coordinator of putting together this  
21 Environmental Impact Statement. Both Jim and Albert are  
22 from Anchorage, our office there.

23                   And then, Salena Hile, in a sense the  
24 most important person, she does not work for MMS, but  
25 she's the key person at this because she's responsible

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1 for making sure she gets all the words that we hear from  
2 you today. So if she tells you to do something, please  
3 do it.

4 Is there any other questions before we  
5 begin?

6 (Question and answer session)

7 HEARING OFFICER GOLL: Again, what we  
8 would like to do, again, because of the number of people,  
9 if you could try to limit your testimony to about five  
10 minutes or so. If there's time later on, you know,  
11 again, depending on how people come and go we may also go  
12 off the record periodically to, you know, have discussion  
13 if that's helpful to people.

14 (Question and answer session)

15 HEARING OFFICER GOLL: I think we'll go  
16 ahead and get started now if there are no other  
17 questions.

18 MS. ORR: I'll just read down the list.  
19 The first is Bruce Passe. And then after Bruce it will  
20 be Dan Ungrue and Gloria Ungrue.

21 MS. UNGRUE: Oh, no, I'm not speaking.

22 MS. ORR: Oh, okay.

23 HEARING OFFICER GOLL: All right.

24 MS. ORR: All right, you don't have to.

25 HEARING OFFICER GOLL: If we have your

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1 name down that's fine.

2 MR. PASSE: Hi. My name is Bruce Passe.  
3 And I'm in favor of the lease sale. Most of the reasons  
4 Mr. Goll already mentioned, our community needs the  
5 resources, they need the jobs. We're in a big decline  
6 right now, no oil and gas industry locally. And our  
7 community is going to feel it, whether you're related to  
8 the oil and gas industry or not, there's a trickle down  
9 effect, it's going to affect everybody that lives on the  
10 Kenai Peninsula.

11 I'm not opposed to Alternatives 3 and 4, I  
12 think they're a good compromise. There's a lot of people  
13 on the Kenai Peninsula that are against drilling in those  
14 areas. They are very sensitive, and I think it's the  
15 least potential area to find oil and gas in these sales.

16 I think there's a lot of people here that  
17 I know personally that right now their jobs are affected  
18 due to the lack of gas. We need it for our community.  
19 Most of those jobs are well paid jobs and if they go  
20 away, once again the trickle down effect, it's going to  
21 affect everybody in the community.

22 Thank you.

23 MS. ORR: And after Dan will be Roland  
24 Maw and then Dale Bagely -- oh, no, John Williams.

25 MR. UNGRUE: My name is Dan Ungrue from

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1 Kenai. Glad to see you guys made it back alive from the  
2 Homer meeting. I'm in favor of the lease sales.

3                         Several things, I'd like to thank our  
4 Mayor, John Williams, he predicted we'd be in this  
5 situation 10 years ago. And we are in that situation.  
6 Like Bruce said, the Kenai is a resource industry town.  
7 The Peninsula is resource industry and the state of  
8 Alaska is resource industry. Unfortunately down here,  
9 resources haven't been developed to the effect that is  
10 now affecting us. I think the plan -- our plants are  
11 running at 60 percent capacity, 30 percent of the oil  
12 industry jobs are going away. We used to employ  
13 fishermen in their off season. This year here very few  
14 fishermen are employed. I think the fishermen will speak  
15 about how the oil industry does its job, we have very  
16 good neighbors. Forest Oil came in and did a dynamite  
17 job on the platform they put in with no environmental  
18 impact. They're the first ones to have zero water  
19 discharge. Our other neighbors, Unocal, has been a good  
20 neighbor throughout the years. Cross Timbers, they all  
21 care about the environment.

22                         And any hand that works in the oil  
23 industry, the reason they're living up here in Alaska is  
24 because it's a beautiful place to live and the oil people  
25 do care about the environment.

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1                   That's one thing that kind of offset me  
2 at the Homer meeting, is the fact that there was a lot of  
3 people who spoke out against the oil industry that really  
4 don't know the oil industry. They really don't know the  
5 good jobs that they do and the technology that's involved  
6 in producing oil without any spills or mishaps or any  
7 harm to the environment whatsoever. I think that's our  
8 job, as a community, you know, here we are, we're  
9 involved with the oil industry and yet 80 miles down the  
10 road there's a community that gets a lot of  
11 misinformation. I sat there and listened to how 600,000  
12 tons of oil pollutants go into the Inlet every year,  
13 totally untrue. You know, at the hearing they kept  
14 hounding about the spillage and leaks and all that, yet,  
15 there's been no study that proves that the Cook Inlet  
16 industry has had any affect on the Cook Inlet at all,  
17 rather they've been complimented by many of the industry  
18 leaders.

19                   I pulled up a study off the internet. It  
20 was done by the Natural Research Council, an affiliate of  
21 the Natural Academy of Sciences. It was pretty  
22 interesting. And one of the things that I've learned  
23 since getting involved is a lot of the sources of  
24 petroleum in the waters off of North America is nearly  
25 180 million -- trillion liters seep from natural cracks

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1 in the sea floor every year. And this holds true for the  
2 Cook Inlet as well. When it comes to human sources, the  
3 study says, 85 percent of the 100 million liters comes  
4 from land-based run-off and recreational boating. Those  
5 two categories include everything from rivers polluted  
6 with oil from leaky cars that run into oceans, to  
7 airplanes that dump excess oil and gas offshore and jet-  
8 skis to small boats using old engines that were designed  
9 to dump oil and gas.

10 I did a project out at Swanson River last  
11 year. We had two mishaps. One mishap was we spilled a  
12 cup of oil out of a hose and we got reprimanded pretty  
13 good for that. The next one was we were emptying out --  
14 they wash you coveralls and clothes in special washing  
15 machines so it don't get mixed in with any waters and  
16 that's supposed to go in with the other oily water to be  
17 reclaimed and then sent back in -- be injected into the  
18 ground, and we spilled three gallons of this water on the  
19 ground and we damned near lost the contract because of  
20 it. So the industry down here is very well aware of the  
21 environment. At the meeting in Homer a lot of things  
22 came up about polluting the Inlet and a lot of things  
23 came up about the Exxon Valdez. The Exxon Valdez was a  
24 disaster and it happened 12 years ago. And one thing I  
25 would ask you people to look into because this has



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1 definitely affected the industry as far as, you know,  
2 people being for development of Alaska, is we've got to  
3 get that thing settled. There's people down here 12  
4 years that have, you know, are due monetary -- money from  
5 Exxon and yet Exxon has held it up. This has really hurt  
6 the industry here is that aftertaste in their mouth. It  
7 will take many years for the Exxon Valdez to -- you know  
8 for the waters down there to be fully recovered but yet  
9 if we can go ahead and get them people taken care of that  
10 would be a great help.

11                   The next thing we need to do, and this  
12 can be done locally, unfortunately the communities down  
13 south don't share in some of the natural resources that  
14 we have, such as the gas, we've enjoyed benefits of clean  
15 natural gas at a very low price ever since I've been here  
16 for 20 years, yet our own communities down south don't  
17 have that luxury. I would urge the Borough and the Mayor  
18 and us community people to get involved and see if we can  
19 get natural gas down to Homer so they can enjoy the  
20 resources. One of the main gripes I heard from many of  
21 the people in Homer is you guys get benefit from the  
22 industry, we get no benefit down here, we have to take  
23 the risk but we get very little benefit by it, so I would  
24 urge the Borough and the Mayor to get together and see if  
25 we can't get them people some gas down there. Now, there

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1 are some wells down there that could be developed in a  
2 hurry and probably have gas to Homer by the end of this  
3 year if we were lucky.

4 That's about all I got to say, thanks for  
5 your time, guys.

6 MS. ORR: Roland Maw.

7 MR. MAW: For the record my name is  
8 Roland Maw. I live at Kasilof, Alaska. I am currently  
9 employed by the United Cook Inlet Drift Association which  
10 is an association that represents some 585 commercial  
11 fishermen that use the upper portion of the Cook Inlet  
12 for salmon harvest. I'd like to have my testimony in two  
13 parts. One would be a reading of the prepared statement  
14 that you have in front of you and then a discussion about  
15 some issues that may lead to some questions.

16 Thank you for this opportunity to put  
17 into the public record the opinion and position of the  
18 United Cook Inlet Drift Association, UCIDA, regarding the  
19 proposed Lease Sales No. 191 and 199.

20 On behalf of the UCIDA Board of  
21 Directors, we support Lease Sales 191 and 199. This  
22 support is in recognition that for over 30 years we, as  
23 fishermen, have successfully commercially fished while  
24 many oil and gas developments have occurred both on land  
25 and in the waters of upper Cook Inlet. This support for

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1 the oil and gas industry is relatively new and will  
2 continue providing we have no loss of fishing area or  
3 fishing time as a result of Lease Sales 191 and 199.

4                   As you may know the commercial fishing  
5 industry in Cook Inlet directly affects the income of  
6 over a thousand families. We need to point out that  
7 there are important social, family and heritage values  
8 involved in commercial fishing. We should like and  
9 expect the Minerals Management Service and the successful  
10 lessees to create a joint management council to hear and  
11 consider our concerns as the exploration and production  
12 phases of these projects go forward. These joint  
13 management councils are to provide representatives of the  
14 commercial fishing industry a forum to participate in the  
15 decisions concerning exploration and production practices  
16 and procedures as these relate to commercial fishing.  
17 Our goal is to ensure that there is no lost fishing time  
18 or areas.

19                   UCIDA needs to draw to everyone's  
20 attention that we want to constructively participate  
21 while at the same time to ensure no net loss of habitat  
22 or environmental degradation. Unfortunately we, in the  
23 commercial fishing industry have had to deal with to  
24 rather serious and troublesome events concerning major  
25 impacts on our industry, i.e., Glacier Bay and the Exxon

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1 Valdez.

2                   We look forward to working with the oil  
3 and gas industry as these leases move forward. There are  
4 many commercial fishermen that are active in SERVS,  
5 CIRCAC and oil spill response programs. These oil spill  
6 response programs are necessary and provide valuable  
7 training and cleanup capacity.

8                   It is impossible for us to suggest now  
9 what we may ask to occur in either the exploration or  
10 production phases because those plans are yet to be  
11 developed. However, we do ask that a formal structure be  
12 put in place so that when plans are being made we can  
13 provide our input to the industry. That's why we expect  
14 some form of a joint management council be created. We  
15 look forward to being significantly involved in the  
16 exploration and eventual production phases of Lease Sale  
17 191 and 199.

18                   UCIDA formally supports the five issues  
19 identified in the tri-borough resolution. Sincerely,  
20 Roland Maw, Executive Director.

21                   Some of the comments I'd like to point  
22 out. As a result of 911 and the changes that occurred in  
23 our nations life as well as the life of our communities,  
24 there was some unintended consequences that affected us  
25 as the commercial fishing industry. Two I'd like to draw

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1 your attention to and tell you why.

2 First the L&G tankers that go up and down  
3 the Inlet, there was a ruling made at the Federal level  
4 that no commercial fishing boats could be within one mile  
5 of those vessels as they entered and left the Inlet.  
6 Well, by the time -- and I commercial fish as some in the  
7 audience do. If we're out there fishing and we've got  
8 our nets deployed and we have a few salmon in the net, by  
9 the time the tanker arrives and you can see it on the  
10 horizon, if you start picking your gear it's virtually  
11 impossible to get out of that ships way to give them that  
12 one mile corridor because of the time it takes to get our  
13 gear out of the water and the speed of the vessel. And  
14 so what we did then was meet with the Coast Guard, we met  
15 with representatives of the industry and we worked out  
16 some alternate routes, and then we did some work  
17 internally with our own fishermen and we tried to work  
18 out an accommodation on those days and we had the  
19 schedules as to when those tankers would be coming and  
20 going out of the Inlet relative to fishing days. And  
21 that worked really well.

22 And the other thing that happened as a  
23 result of 911 was that there was an exclusion zone put  
24 around the tank farm up on the North Kenai, well, in some  
25 years, depending upon how the salmon enter the Inlet, for

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1 example, this year, the salmon came to the east shore and  
2 were along the east side of the Inlet, but in some years  
3 those salmon will go up the middle rip and end up on the  
4 north beach. And sometimes those salmon pool underneath  
5 the tank farm, literally, the docks, and there's been  
6 occasions on the past where I've literally gone right up  
7 to the tankers and deployed my nets within a few feet of  
8 them. Well, now this one mile zone has really caused us  
9 a problem. We were fortunate this year but who knows  
10 what's going to happen in the future.

11                   So I'm just using those as examples. We  
12 don't know how -- where the gas and the oil's going to be  
13 found. We don't know what the production plans may or  
14 may not be in the lower Inlet. But what we're asking for  
15 is some kind of a system to be put in place so we can  
16 have some input and some participation there to try to  
17 work out the problems that are going to be there. And  
18 that's the request you see in the formal declaration  
19 about some kind of a joint management council. Now,  
20 we've worked with the Coast Guard and we've worked with  
21 the industry and it seems to be working and I think we  
22 have the genesis of that already and it seems to be  
23 working well.

24                   Okay, that's it. We're looking forward  
25 to the lease sales.

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1 MS. ORR: John Williams. And then Jack  
2 Dean.

3 MR. WILLIAMS: Thank you. My name is  
4 John Williams. I have the honor of being the Mayor of  
5 the city of Kenai. First of all, let me thank you all  
6 for coming down and having the public hearing here. I  
7 think you'll find that in having public hearings of this  
8 nature here in Kenai that they'll be more positive and  
9 you'll find that the oil industry has been a very  
10 accepted neighbor in our community for many years.

11 Let me back up just a little bit and go  
12 into the historical aspects of my discussion with you for  
13 a moment. By the end of my term here in Kenai, I will  
14 have lived in Kenai for 36 years and of that 36 years I  
15 will have been Mayor half of that time. I've been  
16 associated with the industry most of my life, the oil  
17 industry, in one form or another. Either as a  
18 construction worker in the industry or as a teacher in  
19 complimenting the industry. The industry itself has  
20 been, not only friendly to this community but giving to  
21 this community for its entire history that it's been  
22 here. Its leaders, the people that work in the industry  
23 and the people that lead the industry have taken an  
24 active part in this community, they've been members of  
25 our government, members of our Chamber of Commerce,

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1 members of virtually every board of directors of every  
2 non-profit organization that has been derived here in the  
3 area. So the industry itself has leant a tremendous  
4 amount of support to the growth and development of our  
5 area.

6 I'll talk about the growth and  
7 development of the area for just a moment. When I first  
8 moved to the Kenai area, the entire Peninsula had a  
9 population of about 12,000 people, but today as we know  
10 we have a population of about 50,000 people. At that  
11 time we had one high school here, Kenai Central High  
12 School was located just down the road from us. Since  
13 that time we have built three other high schools just to  
14 accommodate the children of many of the workers that work  
15 in the industry and children of those who have come to  
16 live here on the Kenai Peninsula because of its beauty,  
17 because of its pristine wilderness, if you will, and  
18 because of the things that the community has to offer.  
19 Those schools are operated in big part, evolved in big  
20 part and continue to function in big part due to the  
21 industry.

22 I won't address the industry as a tax-  
23 base to the Borough because the Borough Mayor will  
24 probably be here to do that a little later.

25 But I will address the industry as a tax-





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1 living here, it enjoys working here and in no small part,  
2 it enjoys a tremendous relationship with the industry.  
3 I'm sure that's going to continue.

4                               To the aspects of safety within the  
5 industry. As I've said I've a lot of experience in the  
6 industry, worked in the industry for many years, taught  
7 with the University of Alaska as an instructor in  
8 petroleum technology for many years, for some 17 years  
9 and so I had the opportunity to not only work in the  
10 plants but visit virtually every facility on this entire  
11 Peninsula and, of course, facilities in Prudhoe Bay and  
12 other parts of the country as well. And I've had the  
13 opportunity to compare safety practices and good working  
14 practices not only here in the Cook Inlet but from the  
15 facilities here I've been able to compare them with  
16 facilities in other areas. And I really have to say that  
17 our practices, our safety practices here, our work habits  
18 and the way in which we maintain our industry is second  
19 to none. We have a good organization here. No doubt  
20 about it. I've been on virtually every platform and in  
21 every facility and I know how they function and how they  
22 work.

23                               With regards to other issues in the area  
24 of safety and operation. I don't think that you're going  
25 to find the industry at any time working in a manner that

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1 would jeopardize itself when it comes to good practices  
2 and production and good operations.

3                   The City Council has always supported the  
4 industry and I think I speak on behalf of our entire city  
5 council when I say that we support this lease sale. We  
6 support the lease sale for many reasons, least of which  
7 is that we need the natural resource to continue the  
8 industry.

9                   As Mayor of the city I have the  
10 responsibility with concurrence of council to make  
11 appointments to certain organizations in our community  
12 and one of those organizations is CIRCAC, which is our  
13 kind of guardian keeper and they look after the health of  
14 the Inlet when and if an unfortunate occurrence occurs.  
15 I have made that appointment on behalf of the City  
16 Council numerous times. We're pleased to be part of that  
17 group. We're pleased to be offering our services to them  
18 and we're pleased that they're here with us.

19                   So on behalf of the City Council and our  
20 administration and on behalf of all of my years of  
21 experience with the oil industry I want to speak very  
22 favorably for them. I wish them the greatest amount of  
23 success in the future and urge the Minerals Management  
24 Service to come out with a very positive statement in  
25 developing this lease sale and go forward with the least

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1 sale.

2 Thank you very much.

3 MS. ORR: Jack Dean.

4 MR. DEAN: I'll pass.

5 MS. ORR: Rick DeMello, and then Luke  
6 Wells and Jim Butler.

7 MR. DEMELLO: Thank you. There's a lot  
8 of information in here folks. It shows a lot of work.  
9 The main reason I'm here.....

10 HEARING OFFICER GOLL: If you could state  
11 your name, please.

12 MR. DEMELLO: Sorry. My name is Richard  
13 DeMello and I've been here 24 years. I like it here.  
14 It's beautiful, it's nice and you can live here and you  
15 can live here because you can have a job. And I'm here  
16 mainly because I've been reading in the paper and see  
17 what's going on in other communities and it seems like  
18 everybody's against the idea. I'm for the idea, by the  
19 way.

20 And I don't think there needs to be any  
21 fight between the environmental groups and those who want  
22 to see resource development happen. I think we have got  
23 some fine examples as was said earlier where the  
24 fishermen having his nets close to some ships and rigs.  
25 Where I work there's some setnetters who work right

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1 within the dock areas where the ships are loaded and  
2 unloaded, in fact, they tie their nets to one of the  
3 docks, you know. It's a very compatible situation. It  
4 can be made more compatible if everybody works together,  
5 if we don't have one group who wants to stop all resource  
6 development here and the other group, if they win, they  
7 got to leave, they to go home.

8 I'm used to seeing at work, maybe 20 to  
9 30 guys, contractors, come to work every morning and  
10 going home from each plant down at Tesoro and Agrium.  
11 Now, there's about two or three coming to work. That's  
12 how many guys are out of work. You know, I mean I'm not  
13 against the environmentalists, they've accomplished a  
14 lot. If it wasn't for them, we wouldn't have the  
15 oversight that forces the oil industry to watch what  
16 they're doing and I think that should continue. But I  
17 don't think they should stop the industry or any industry  
18 from building over here so that we can support ourselves.

19 Everybody drove in a car, right, less  
20 gas, and I don't believe in the idea of trickle down, to  
21 me it's direct. My children are able to work in the  
22 field, go to school because I was able to support them.  
23 All of you. I mean where are your kids today and who do  
24 you give credit to, you know?

25 I would like to see the environmentalists

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1 or all those who are opposed to this work so that those  
2 who are for it, they work together as a community. I  
3 hate to see a community divided, and basically that's all  
4 I'm saying.

5 Find a way to make it work and look at  
6 all the innovation we've had, okay, because  
7 environmentalists have insisted on them working safely,  
8 working securely, protecting -- you go up to Prudhoe Bay  
9 you see a lot of caribou, don't you, and they're there  
10 right in the oil field. You can see the same thing down  
11 here. The bears, the animals, in fact you go across  
12 Trading Bay there are a lot of bears right there in the  
13 camps, you know, and they're not dying off, the place is  
14 not being polluted. So it takes two sides, those for and  
15 those against. And I think it can happen.

16 I want to keep my job. I want to see all  
17 my friends still working, you know, it's really sad.  
18 There's about 60 people I've seen within the past three  
19 months not working. They're taking unemployment. I was  
20 here when ARCO did a big layoff, do you remember that,  
21 people with brand new houses just walked out, left the  
22 state, had one right across from me, just left, couldn't  
23 do anything. We got to think of other people, too, not  
24 only about the animals.

25 Thank you.

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1 MS. ORR: Luke Welles.

2 MR. WELLES: My name is Luke Welles. For  
3 the last 11 years up until this past August I lived in  
4 Homer. Spent four years on the City of Homer Economic  
5 Development Commission, spent three years on the Kenai  
6 Borough Economic Development District and spent three  
7 years as a City of Homer Council member. Sat through  
8 quite a few meetings on resources in Homer over the  
9 years. And one of the biggest issues down there is no  
10 natural gas. It's a huge issue down there.

11 This has the potential to bring natural  
12 gas into the area which has extremely strong grassroots  
13 support in the lower Peninsula. There's no doubt about  
14 it.

15 Almost 10 years now, back in '93, '93/94,  
16 when I was with the commission and we were looking at a  
17 feasibility study, to start a feasibility study to bring  
18 natural gas to Homer. At that time we had a problem, the  
19 certificate of need was tied up by a company that was in  
20 essence defunct and there was no chance of anything  
21 happening. There was a study that was done and the  
22 University of Alaska was involved, EDD was involved and  
23 in that study the conclusion was, yes, it was  
24 economically feasible to bring gas to Homer provided the  
25 capital cost was at an interest rate that made it

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1 feasible.

2                   In terms of your Environmental Impact  
3 Statement in this regards, it has a positive  
4 environmental impact on the lower Peninsula in two areas.  
5 The first has already been discussed quite a bit here is,  
6 in terms of economic development. Where you've got more  
7 money you've got the ability to take care of the  
8 environment. You've got the ability, you've got the  
9 funds necessary to take care of CIRCAC, of which the city  
10 of Homer is also a member, Jack Cushing, the Mayor, has,  
11 over the years appointed folks to that. You've got the  
12 capability of seeing that organizations like CISPRI out  
13 here are funded and that they have the resources  
14 necessary.

15                   But the other thing, and this is for  
16 those that live up here and may not be completely aware,  
17 over the last decade down in Homer things have gotten a  
18 lot better in terms of the coal that's taken off of the  
19 beaches and burned. For those that used to go down to  
20 Homer, that's where Kachemak Bay gets its name, Smokey  
21 Bay from the coal that was always burning, right there  
22 inside the city limits of Homer, it would stink every  
23 winter. We still have property in downtown city limits  
24 and across from some folks that insist on burning coal  
25 every winter just because they can go down to Bishop's



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1 Beach and gather it or it is, obviously, illegal, but it  
2 still has occurred, where folks are taking dynamite out  
3 to the beaches and blasting under Baycrest Hill, which is  
4 well known for erosion problems and Cook Inlet Keeper  
5 brought it up when they expanded the road from two lanes  
6 to four lane on Baycrest Hill. You know, that's one of  
7 the largest coal seams that's very accessible to folks  
8 right there. Folks are just going and digging it out,  
9 same thing along Kachemak Drive. Again, right there on  
10 Kachemak Bay. You know, folks are going after cheaper  
11 alternative energy and right now the only thing that's  
12 available down there is coal. Folks are just taking the  
13 seams right out and you've got an erosion problem. And  
14 so once natural gas is available in the area, that will  
15 eliminate that problem.

16                   So in terms of your Environmental Impact  
17 Statement, that really needs to be part of it.

18                   That's all I've got.

19                   MS. ORR: Jim Butler and then Roy Wells.

20                   MR. BUTLER: Good morning. For the  
21 record my name's Jim Butler. I'm about a 27-plus year  
22 resident of the Kenai area. I'd like to say that I  
23 concur with the majority of the testimony that I've heard  
24 this morning, in particular, the importance of the  
25 industry in our community. By the term, community, I

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1 want to say borough-wide. I think there's other parts of  
2 the borough such as Seward and Moose Pass and Cooper  
3 Landing that are often forgotten, but I think that they,  
4 too, have realized some of the benefits indirectly from a  
5 successful industry here.

6 I'd like to, I guess, open up my comments  
7 and let you know that I've got two general areas that I'd  
8 like to address. One is related to the process that  
9 you're required to follow, and the second is to the  
10 portion of the EIS that deals with the scenario planning.

11 With respect to the process, I'd like to  
12 say as a supporter of Lease Sale 191 and 199, that I feel  
13 like I'm at a competitive disadvantage in trying to  
14 communicate my interests and concerns to your agency. By  
15 that, I mean, that the process seems to be skewed and  
16 somewhat favorable to certain individuals or  
17 organizations who have an obstructionist perspective as  
18 opposed to a support perspective. I guess to distill it  
19 down in simplest terms, I cannot sue you to make this  
20 happen, I can only sue you to keep this from happening.  
21 And I believe that, unfortunately, the process which I  
22 would like to certainly thank MMS for their effort at  
23 multiple community meetings and hearings and certain  
24 technologies to get information out, notwithstanding your  
25 efforts, if I, as an individual, want to stop this train

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1 I can do it with a couple of pieces of paper in court and  
2 I think that that's an unfortunate reality and I hope  
3 that your sort of senior policymakers who are making  
4 decisions recognize that notwithstanding those few  
5 obstructionists, that should not overshadow the degree of  
6 support that you might have.

7                   With respect to scenarios, I know that  
8 your EIS has a couple of different areas where you  
9 address what would happen if, and, you, as under the law,  
10 certainly, and underneath the EIS have to look at what  
11 are the potential scenarios that could result if these  
12 leases move forward.

13                   I guess I'd like to encourage you to  
14 temper the fears that are a part of these scenarios with  
15 the historical record. In hearing testimony from some of  
16 the different communities, as well as our own, it's clear  
17 that there is a lot of anecdotal evidence and there's a  
18 lot of information about how much oil's been spilled here  
19 or what's happened there and I'd hope that you'd temper  
20 what you hear with true factual historical record with  
21 respect to actual impacts, actual historical releases and  
22 actual benefits.

23                   I submit that the oil industry has been a  
24 good neighbor. In my 20-plus years of fishing in Cook  
25 Inlet there certainly have been some incidents, but I

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1 would say that in general the impact of those incidents  
2 has been -- I don't want to say nominal, but they've been  
3 relatively short-lived. Quite frankly, there's other  
4 industries that have grown in the last 10 or 15 years on  
5 the Peninsula that have had a much more negative impact  
6 to the commercial fishing than I think the oil industry  
7 could ever have.

8                               Finally, I just want to thank you for the  
9 work that you're doing to develop the record.  
10 Regrettably, I have no doubt that you will find that one  
11 obstructionist who tries to knock this train off the  
12 track and I'd encourage you to sort of stay with your  
13 mission of trying to put these leases on the market and  
14 help people understand that this lease is Phase I of this  
15 process and there'll be many more steps should these  
16 leases move forward to address concerns, legitimate  
17 concerns of how, perhaps, exploration and production can  
18 move forward.

19                               Thank you for your time.

20                               MR. WELLS: I guess it's afternoon now,  
21 so good afternoon. I'm Roy Wells. I've been in this  
22 area since 1977 but I also speak with some authority on  
23 the subject of the oil industry because I've worked in  
24 the industry for 30 years, not only here but in the Lower  
25 48, and most recently for the last 23 years, before

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1 retiring, at Prudhoe Bay, working for Atlantic-Richfield,  
2 and after the sale with BP.

3                   In that period of time I had to deal with  
4 a lot of regulatory issues in regard to new facilities  
5 and those type of things that come up, and I know that  
6 some of the hurdles that will come up in this lease sale  
7 before any production can begin is going to be paramount  
8 to the ultimate development of natural resources. You  
9 can't have natural resources until the actual lease is  
10 completed. So any delay there or any further rollback  
11 beyond the two alternate lease sources that we have will  
12 push back development much farther. So it is imperative,  
13 and hopefully with some of the initiatives with Governor  
14 Murkowski with trying to streamline the process of  
15 permitting, I think that's going to be essential. So I  
16 guess one of the things I have to say is that we need to  
17 stay on track with the timeline for the lease sales. I  
18 know we anticipate, we all anticipate a high activity  
19 level in the environmental arena. Unfortunately, in  
20 speaking with some of the other folks here there is  
21 actually a free rein on the opposition that can actually  
22 put some major snags and hurdles in the process. So it  
23 is imperative that the voices in support be as loud or  
24 louder than the voices of opposition. And so that's one  
25 thing that all of us in this room can do, is to make sure

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1 that we do stay abreast of the issues out there and do  
2 some things that will help counter some of the negative  
3 things that are out there.

4                   Having worked in the industry and having  
5 to go through the permits and regulations there, I am  
6 very proud of the record that the industry has had. I  
7 know that everything hasn't been just squeaky clean but  
8 at the same token, over the years, the 23 years that I  
9 worked at Prudhoe Bay, including an offshore facility at  
10 Prudhoe, is that, the regulations got tighter and as they  
11 got tighter the industry got better in meeting those  
12 regulations. I also think that we can counter some of  
13 the opposition with having a real strong emphasis on  
14 letting the opposition know about the technologies that  
15 are out there, you know, the use of anti-corrosive  
16 materials, those things that are preventative for spills  
17 and those type of things that are out there. The advent  
18 of various organizations that will help in spill response  
19 and spill prevention, those things have come to play  
20 going on almost 14 years since Exxon Valdez. A lot of  
21 positive things have happened. So it is imperative that  
22 we do emphasize those things because they will be blown  
23 out of proportion from a negative bent and it is up to us  
24 that need and depend on the industry as a nucleus for tax  
25 base for jobs, for economic support and development in

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1 our areas, to make sure that we, as a community, and as a  
2 borough, have a much heightened sense of participation  
3 and voice in the area.

4 Thank you.

5 HEARING OFFICER GOLL: One thing I want  
6 to mention, this is John Goll, Mr. Wells mentioned, of  
7 course, it's afternoon, we will go as long as we need to  
8 be here to take testimony. We will not cut off at 1:00  
9 o'clock if people are still going. For example, we were  
10 five hours in Homer. Thank you.

11 MS. ORR: Dale Bagely -- no, he's not  
12 here yet?

13 MR. BARROS: No.

14 MS. ORR: Well, they put him on at noon  
15 so I'll just keep going then.

16 MR. OBERTS: Hi. I'm Ed Oberts, I work  
17 for the Borough Mayor, Dale Bagely, he asked me to speak.  
18 There's a chance he might be able to still make it later,  
19 especially if this goes late. But basically the Mayor is  
20 very, very supportive of this lease sale. I think, if  
21 anything, he'd like to make sure it happens on the  
22 timeline that -- it's real important that we continue to  
23 have leases available to support our industry here in the  
24 area. You know, I grew up here, I was born in Soldotna,  
25 this community has historically been oil and gas.

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1 Currently the borough taxable -- has \$1.1 billion taxable  
2 real estate that's oil and gas out of a total of 4  
3 billion. So over a quarter percent of all of the tax  
4 revenues, property tax revenues to the borough come from  
5 oil and gas activities.

6 We have a tremendous investment in our  
7 infrastructure, in our service companies, in our people  
8 that live here, in the work force. If we let these older  
9 facilities go without opportunities for more new  
10 development, that will phase out over time. And  
11 realistically, we live in an oil and gas basin. We need  
12 to develop the resource, the borough needs to continue to  
13 grow and this is just a great opportunity to see this  
14 happening and the timing is very, very important to make  
15 sure these lease sales occur timely.

16 MR. GRAVES: My name is Cary Graves. I  
17 live in Kenai. I've lived here about 14 years. I've  
18 been in the state of Alaska about 22 years. I'm very  
19 much in favor of these lease sales for three primary  
20 reasons. The first reason is, as Mr. Wells indicated, I  
21 believe the technology available today will mean that the  
22 fields can be developed safely and in an environmentally  
23 sound capacity and protect the fishing industry in the  
24 inlet.

25 Secondly, on the first point, as Mr.



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1 Ungrue indicated, the culture of the oil industry is very  
2 much geared to protect the environment today. I don't  
3 work for an oil company but I know a number of people who  
4 do, a lot of my friends do and they're very  
5 environmentally conscious, they don't want to hurt the  
6 environment anymore than anyone else in the industry or  
7 the area.

8                   The second reason I'm in favor of it is  
9 this state -- the economic basis of this state is on oil  
10 and gas. We have been for about 20 years or more since  
11 the North Slope was developed and even longer in the Cook  
12 Inlet region. My daughter's with me today and the  
13 reality is is that she goes to a public school and that  
14 school was largely paid for by money derived from the oil  
15 and gas industry, either in terms of royalty payments  
16 from the North Slope or property taxes as Mr. Oberts  
17 indicated, a quarter of our property tax base in this  
18 borough is oil and gas or sales tax derived from people  
19 that work in the oil and gas industry. And without oil  
20 and gas our public school system would not be as good as  
21 it is today. And not only were the schools built by oil  
22 and gas money but her teachers are paid for by oil and  
23 gas money, both in terms of State aide and sales tax.

24                   Third. Jobs. We need jobs. I'm lucky  
25 enough to have a job. I've got a good job but I know a

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1 lot of people who are either unemployed or underemployed  
2 working part-time or for low wages. Using my daughter's  
3 school as an example, there's a girl in her class whose  
4 father was laid off from the oil service company, the mom  
5 went to work at Kmart to make things last for awhile,  
6 that job's going to go away pretty soon. Extended  
7 unemployment benefits are great and I support them, but  
8 what that family needs more than anything else is a good  
9 job and I feel like this lease will provide those.

10 So I'm very much in favor of it.

11 Thank you.

12 MR. ANDERSON: My name is Marty Anderson.  
13 I'm president of US Alaska Quality Services, oilfield  
14 support business. I'm also a board member of North  
15 Peninsula Chamber of Commerce and KDLL (ph) Radio. I've  
16 been in Alaska for 22 years and I'm going to speak mostly  
17 about what I know and that is inspection testing today.

18 The oil companies I've worked for,  
19 literally every single oil company and gas company in  
20 Alaska at one time or another in some capacity. My  
21 experience has been that in -- let me back up a little  
22 bit. The last four years I was on the North Slope with  
23 ARCO and British Petroleum, I was the quality assurance  
24 supervisor and my directive from management was safety  
25 first of personnel, the environment second and then

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1 quality. And that's how this industry has gotten where  
2 it is today, and I don't see it changing.

3 I think we have representatives of the  
4 Federal government, State government and our local  
5 government that assure the protection of our environment.  
6 I don't think the issue today is that whether there  
7 should be, you know, oil development in the southern part  
8 of the Cook Inlet or whether it should stay fishing, I  
9 don't believe that one community or one community's need  
10 for a resource should take precedence over others.

11 I enjoyed the comments from the gentleman  
12 that represented the commercial fishing. I share his  
13 views that there's no reasons why the different resource  
14 development and the needs of the communities on those  
15 resources can grow together and operate together.

16 I lost my train of thought, excuse me.

17 Again, and currently my company provides  
18 quality assurance and quality control personnel and the  
19 project that's going on right now, the 12-inch gas line  
20 that's running from Kenai to Ninilchik, we have four  
21 full-time personnel on that project that ensures the  
22 protection of the environment, the 60-foot right-of-way.  
23 One individuals sole job is to drive up and down that  
24 right-of-way six days a week, 10 hours a day and assure  
25 that there's no damage to the right-of-way, that they do

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1 not conduct any operations outside that 60-foot strip of  
2 land and he has ultimate authority to stop anyone at any  
3 time if they are doing anything that may damage the  
4 environment.

5                   So two other projects that I worked on  
6 recently was the Alpine project and the North Star  
7 Pipeline project. We had 10 to 12 inspectors on a six  
8 mile -- two six mile pipelines offshore. The reason I'm  
9 saying these things is I just want to give examples that  
10 my experience in 22 years of working in the petro  
11 chemical industry is that their philosophy is not to do  
12 anything to damage the environment, the protect it. We  
13 all have to live in this area and this environment, and I  
14 don't think that timber should be ahead of mining or  
15 mining should be ahead of fishing or fishing should be  
16 ahead of the petroleum. I think that each one of these  
17 resources are valuable and that the economic welfare of  
18 our state is dependent on all of them.

19                   My last comment and several other people  
20 have echoed this, I've been recently working with our  
21 school superintendent Donna Peterson and our ex-Senator  
22 John Torgerson in vocational education in trying to  
23 develop a better program there and meet the needs. And,  
24 you know, we're looking at possibly three schools  
25 closing. We're at 2,500 plus short on students and, you

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1 know, people have mentioned trickle down effects and that  
2 type of thing, you know, when we talk to some of the  
3 people on these task forces, the number 1 reason for our  
4 declining enrollment and our declining funding is that  
5 they don't have jobs. So I heard an individual on the  
6 radio the other day talk from Seldovia and saying that  
7 her family had been dependent on the resource of fishing  
8 for three or four generations and that needs to be  
9 considered. Everything we do needs to be considered and  
10 how it affects communities and people. But I also am a  
11 second generation in the oil and I know people that are  
12 third and fourth generation in the oil industry. So my  
13 closing comments again is I think that all resources can  
14 be developed responsibly, safely and that all the  
15 communities can profit from that development.

16 That's all I have to say. Thank you.

17 MS. ORR: Steve Wendt. Blaine Gilman.

18 MR. WENDT: Hi. My name is Steve Wendt.  
19 I'm from Kenai. I've lived here 11 years. I've worked  
20 for Agrium and prior to that, Unocal for 16 years. I  
21 strongly support the sale.

22 My reasons why, I guess, have already  
23 been more clearly and eloquently stated by speakers  
24 previously so I'll be very brief and just say, I think  
25 the State and Federal government have done a good job of

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1 balancing the environmental concerns with the economic  
2 benefits. And I think that both of these lease sales are  
3 critical to our maintaining and sustaining our way of  
4 life.

5 So I would just hope that you'd keep that  
6 in mind as you go forward.

7 Thank you.

8 MR. GILMAN: My name is Blaine Gilman. I  
9 reside at 216 Susieanna, Kenai, Alaska. I've resided on  
10 the

11 Kenai Peninsula for 36 years, since I've been six years  
12 old. I've resided in Seldovia, Homer, Kenai and Nikiski.  
13 I'm a graduate of Kenai Central High School at a time  
14 when the Central Peninsula only had one high school.

15 I'm here today to speak in favor of oil  
16 and gas Lease Sales 191 and 199. The Kenai Peninsula,  
17 particularly Kenai has been built on oil revenues. Right  
18 now we face a future of a declining field on the Cook  
19 Inlet Basin with current discoveries.

20 The Cook Inlet Basin has over 40-plus  
21 years, I believe, have developed responsible and  
22 environmentally sound basis. The source of this  
23 information would be EPA studies on wildlife quality as  
24 well as CIRCAC. But what our community is facing right  
25 now is contraction. In the past six months, if my

00047

1 calculation is right, we have lost 250 jobs in this area.  
2 We've lost approximately 40 jobs because of two platforms  
3 that were shut down by UNOCAL. We have lost probably 50  
4 to 70 jobs because of cutting down in labor in oil  
5 service companies. Agrium presently is running at two-  
6 third capacity, its plant, because of a natural gas  
7 shortage. Conoco-Phillips, in 1999 [sic] is scheduled to  
8 shut down their plant unless they can find large  
9 significant supplies of natural gas.

10                   If this community can't find other  
11 natural gas supplies, the type of community that we are  
12 will change.

13                   Recently, in the Kenai Peninsula School  
14 District, we are talking about shutting down schools. We  
15 are talking about potentially closing down one of the  
16 high schools in Soldotna, shutting down a high school in  
17 Nikiski, shutting down elementary schools in Nikiski and  
18 consolidation. We are faced at a situation because of  
19 under-enrollment because the amount of money is  
20 decreasing drastically, where we are facing a lay-off of  
21 additional, maybe 51 teachers this year.

22                   I plan on living on the Kenai Peninsula  
23 for the rest of my life. I have four children and I  
24 would like them to have jobs in which they can support  
25 their families and reside the Peninsula as well.

00048

1                   The future of our community is resource  
2 development. Resource development of fisheries as well  
3 as oil and gas. And I would strongly urge the approval  
4 of these lease sales for 191 and 199.

5 I thank you for your time for this  
6 opportunity to be heard.

7 MS. ORR: Robert Peterkin, and then Chris  
8 Garcia.

9 MR. GARCIA: Hello. My name is Chris  
10 Garcia and I guess it seems to be we need to tell  
11 everybody how long we lived here. Well, I'm a lifetime  
12 Alaskan and I've lived in Kenai about 40 years. And I've  
13 been involved in several of these different industries  
14 and I will admit that the oil industry has cleaned their  
15 act up a lot from what they used to do on the platforms  
16 and I'm definitely in favor of oil industry being here,  
17 but I'm definitely opposed to the offshore leases. I  
18 think we should keep it onshore because I think there's  
19 too many problems that can happen offshore that we can't  
20 keep a handle on. And I think that it's up a bunch of  
21 nonsense that we're running out of gas because they've  
22 got gas fields all around here that they've got wells in  
23 that they just don't want to tap. I have no idea why but  
24 that's neither here nor there.

25 And I think the offshore leases are just



00049

1 a very bad thing, and I urge you not to do it.

2 MS. ORR: The last name I have on this  
3 list is Robert Peterkin. That's it. That's everybody  
4 that signed up to testify.

5 HEARING OFFICER GOLL: If anybody has not  
6 testified that would still like to, please, do so but we  
7 would like you also to sign up please.

8 MS. ORR: Yes, please.

9 HEARING OFFICER GOLL: Did somebody have  
10 a question?

11 (Question and answer session)

12

13 MR. SUPERMAN: Gary Superman. Nikiski.  
14 I'm a 30 year resident. I guess to start I wasn't going  
15 to speak until Blaine said we were shutting down Nikiski  
16 High School and that kind of prompted me to jump up out  
17 of there because it's not happening Blaine. And  
18 hopefully if this goes through we can mitigate some of  
19 those damages that we're going to see to our schools.

20 I've spent a long time here this week  
21 trying to pull together our legislative priority books  
22 for the Kenai Peninsula Borough. I sit on the Assembly  
23 as the Nikiski representative. And a large portion of  
24 what we're going down to Juneau and Washington, D.C.,  
25 wish list come from the cities throughout the Borough.

00050

1 There's a substantial portion of that book that comes  
2 directly out of the south end, out of Homer. And I guess  
3 after I got a little bit of a report of what happened  
4 down in Homer yesterday I was kind of taken back. This  
5 is really an opportunity, I think, for the south end to  
6 come into the borough community economically. We're  
7 seeing some downsizing in what's happening out in the  
8 Nikiski area, the north Cook Inlet and we have the  
9 opportunity to move down south here and do what we can  
10 for ourselves in the borough. We all know that we're up  
11 against some financial constraints from what we're going  
12 to get from the State and from Washington, and this is a  
13 direct opportunity for us to help ourselves. And I would  
14 hope that some of that component from the community down  
15 there would take a real rationale look at the needs of  
16 this borough if we're going to remain a viable quality  
17 area to live in.

18                               Went to the School Board meeting the  
19 other night and they spoke of the financial problems that  
20 they're having. Well, it just so happens that the  
21 schools are facing a 2.8 -- \$2.9 million budget shortfall  
22 for the upcoming '04 fiscal year. I'd like to compliment  
23 Bill Popp for the work he's done in some of the critical  
24 points here of why we need to be supportive of the lease  
25 sale and it just so happens that with some of this

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1 development we would see a net increase of 2.9 million.

2                               So I think that we have to be proactive

3 as far as development in this borough to keep sustained

4 growth. This would go a long way to keeping our

5 viability and it's absolutely necessary otherwise we're

6 going to see further migration of folks out of here.

7 Folks used to come in for a number of reasons. Number 1

8 was the school system. The good jobs. Where are they?

9 I own a business out north and I can tell you that it's

10 really a barometer reading of what's going on in the oil

11 patch. I own a motel, I own a bar, I own a liquor store

12 and I know what's going on. It's a direct result of what

13 our gross is yearly. And people are hurting. There's no

14 reason why we shouldn't pursue this in this borough, we

15 have the infrastructure. I think that the industry's

16 environmental awareness has certainly come up a long way

17 from where it used to be and they are absolutely

18 sensitive to environmental needs and they do whatever

19 they can, 110 percent to comply with the regulations that

20 are on the books today.

21                               So I guess just in conclusion, I am in

22 absolutely support of the lease sale and I hope that we

23 can see it move forward in a timely manner and that we

24 are not, I guess, too -- we're not going to base too much

25 of our decisions on some of the components that have the

00052

1 ability to be very, very vocal. There's plenty of vocal  
2 people from out north here who have lived with the  
3 industry for a long, long time and know that it's  
4 absolutely compatible.

5 Thank you.

6 MR. BARROS: The next witness is Harry  
7 Eaton.

8 MR. EATON: Hello. For you that don't  
9 know me, I'm Harry Eaton. Only 10 year resident of the  
10 Borough. I'd like to be here another 10 years with my  
11 wife and daughter. I have the unusual honor of being an  
12 unemployed oil company worker who supports both the  
13 Federal Lease Sale 191 and supports Lease Sale 199. The  
14 proven positive impacts that we receive from oil and gas  
15 jobs have been well discussed in this room today by  
16 leaders and workers in our community, you know, and the  
17 impact also affects the state of Alaska positively.

18 The majority of Alaskans have mandated  
19 that the government of Alaska develop the resources of  
20 Alaska in order to keep the economy going. The only way  
21 the oil and gas resource will continue to be developed is  
22 if you first sell the property or the leases. If you  
23 don't sell the leases there will be no development in the  
24 long-run.

25 The Lease Sales 191 and 199 are supported

00053

1 in order to continue the development of oil and gas  
2 resources that benefit the Peninsula and the state of  
3 Alaska.

4                   The associated jobs will also be  
5 continued if we continue to have lease sales, without  
6 them they'll continue to dwindle and go away as they are  
7 now, as I can personally attest.

8                   In summary, I agree with the majority of  
9 Alaskans, the 200,000 of us, roughly, who vote and also  
10 pay taxes in Alaska, we're the residents -- I agree with  
11 them in supporting the Federal offshore Lease Sales 191  
12 and 199. I also encourage you all to keep in perspective  
13 the fact that some of our local friends who are very  
14 vocal, especially non-profits who are very good at  
15 advertising their cause, you know, don't represent the  
16 majority of Alaskans on the Peninsula or in the state.  
17 And their philosophy is very well depicted in on their  
18 web sites and we can all go and take a look and see that  
19 for years and years they've been against the sale of  
20 leases in Alaska and not just in the recent past as  
21 you've seen within the last 48 hours. As a result, you  
22 know, I would like to be sure that you recognize the  
23 majority of Alaskans as the Federal government has a  
24 mandate to do since we also support your incomes from the  
25 state as well as our personal income taxes.

00054

1 Thank you.

2 MR. BARROS: The next presenter is Ricky  
3 Geese.

4 MR. GEESE: I brought a few things here.  
5 My name is Ricky Geese. I'm speaking here as a private  
6 resident, not as the -- in my job I'm the executive  
7 director of the Kenai Convention and Visitor's Bureau. I  
8 sit on the board of directors of the Kenai Peninsula  
9 Marketing Council. So I'm directly affected by the  
10 tourism industry which we promote. But I'm here as a  
11 proud Kenai White Trash resident. And I heard that down  
12 in Homer, Kenai was referred to as White Trash and I'm  
13 going to channel a little bit of that White Trash energy  
14 for you. You know, being White Trash I broke my hand  
15 sheetrocking my garage, so when I come in -- we were  
16 putting a shower in so when I come in off of fishing on  
17 the Kenai River I have a place to wash off and not get  
18 all that White Trash fish slime in the house that my  
19 White Trash wife would kill me for.

20 So I come not as doing facts and figures  
21 but trying to reach you more on an emotional level. This  
22 hand is broken so I'm not going to play too long about  
23 it.

24 This is called, I Got the White Trash  
25 Blues.

00055

1 (Performs Song)

2 That's about all I can play, this hand  
3 really is broke.

4 (Applause)

5 I grew up in Wisconsin in a White Trash  
6 town, Racine, Wisconsin, it was a blue collar town. I  
7 saw in that town what happens when industry pulls out.  
8 Most of my friends, my cohorts who I went to high school  
9 with no longer can live in that town because the blue  
10 collar places in JI Case and Al's Traumas, American  
11 Motors who made the great car, the Gremlin, all those  
12 industries passed away and our town is no longer there so  
13 I'm kind of a White Trash swimmer and I found myself in  
14 Alaska.

15 I picked Kenai to live in because it has  
16 year-round stores, it has year-round restaurants, it has  
17 year-round residents and it has year-round employment.  
18 Natural gas and oil are the underpinnings of not only the  
19 Kenai Peninsula but the state of Alaska. And I know we  
20 have concerns about spills and chronic pollution and  
21 aesthetic intrusions, but I think we have to recognize  
22 what is our base and why everybody in this room and our  
23 good friends down on the southern Peninsula also, what's  
24 the basis of the whole economy here, and it is oil and  
25 gas.





00057

1 National Park for six years. During that time period the  
2 city of Seward, due to some infrastructure problems over  
3 there was dumping raw sewage into Resurrection Bay. They  
4 could not find traces of E.coli or contamination in the  
5 bay because these bays along this southern Kenai  
6 Peninsula and Southcentral Alaska flush out, we have the  
7 greatest tidal changes of almost anyplace in the world.  
8 So the chronic pollution and the oil spill problems, yes,  
9 we've had oil spills, and, yes, the chronic pollution is  
10 a concern, but from the testing that's been done, if you  
11 look at it realistically as a scientist, I can, you know,  
12 pretty much say that these waters here are pristine and  
13 even with oil development where it's going to be, a  
14 natural gas development, I have faith that they'll  
15 continue to be pristine.

16                   And I can say that with confidence as  
17 being a White Trash person.

18                   Now, I'm going to go to the bible of  
19 White Trash, Mr. Shakespeare, who is a dead White Trash  
20 person and go to the holy bible of Shakespeare, Act III,  
21 Scene II in Julius Caesar: Friends, Romans, Countrymen,  
22 lend me your ears. I come to bury Caesar not to praise  
23 him. The evil that men do lives after them. The good is  
24 often interned with their bones so let it be with Caesar.

25                   I'll let you figure out the symbolism

00058

1 here. As White Trash I can't probably can't explain it  
2 as well as just listening to it.

3                   The noble Brutus hath told you Caesar was  
4 ambitious and if it was, it was a grievous fault and  
5 grievously hath Caesar answered it, here, under the leave  
6 of Brutus and the rest for Brutus is an honorable man, so  
7 are they all, all honorable men, I come to speak at  
8 Caesar's funeral.

9                   I hope we never have to get to the point  
10 where we have to speak at a funeral for the oil and gas  
11 industry in Alaska because if we do, I have a feeling  
12 quite a few of the honorable people who live here will be  
13 leaving Alaska.

14                   And that is the White Trash report.

15                   (Applause)

16                   And in any case anybody wants a photo  
17 with the White Trash report, I did bring the White Trash  
18 bag, I almost forgot to put on, and I will be wearing  
19 this for the rest of the day just to show my support for  
20 the White Trash industry that we have up here.

21                   Thank you.

22                   MR. BARROS: Next, is Mr. Jack Brown.

23                   MR. BROWN: My name is Jack Brown and I  
24 live in Nikiski. No one wants to follow Ricky and I'm  
25 not going to attempt to say what he had to say. I guess

00059

1 just my personal experience in terms of oil and gas  
2 industry, I was elected to office in the Nikiski area,  
3 which is the industrial area on the Kenai Peninsula,  
4 encompasses not only the lands on this side of the Inlet  
5 but also the other side of the Inlet and all of the  
6 platforms. When I was elected in '87, I would -- and I  
7 see Assembly member Superman's here so he can attest to  
8 this. I would say I was certainly to the left of center  
9 in terms of oil and gas development. And it's kind of  
10 ironic that Gary and I both were elected around the same  
11 time from the industrial base and we were pretty hard on  
12 the oil and gas industry. In fact, I don't know if he  
13 was, I certainly received a few phone calls from lawyers  
14 from oil and gas industry thinking that I was a little  
15 too aggressive in my opinion of them.

16                   After the Exxon Valdez President Bush  
17 appointed a number of us from the Prince William Sound  
18 and this area to oversee the oil and gas industry and the  
19 regulatory industry within the Kenai Peninsula Borough.  
20 After serving on it, being one of the incorporators,  
21 along with Mr. Butler I see out there in the audience, I  
22 see Assembly member Merkes who's on it now, but after the  
23 incorporation I think I was on it for a year or two and  
24 then I became president for two years. The first time I  
25 was president the vote was a tremendous landslide 8-7 and

00060

1 the second year it was unanimous, so I don't know what  
2 happened between that time. But in looking in-depth, and  
3 most of us volunteer, there was a probably a core of five  
4 or six of us that put 30 to 40 hours a week volunteer,  
5 this was on top of my 40 hour a week job, it was on top  
6 of my Assembly duty, so we didn't get any rest or sleep  
7 in that four year period, but we had an in-depth analysis  
8 of the oil and gas industry in terms of looking at  
9 contingency plans. We participated with scientific  
10 studies and looking at pollutions and the effects of  
11 hydrocarbons in the area. And I can say after that four  
12 year period of my time which was all volunteer, that my  
13 opinion changed of the oil and gas industry. We were  
14 given direct access to any information that we requested.  
15 In fact, with most companies I was given way too much  
16 information. I was surprised at the level of commitment  
17 that they had and sincerity.

18                   The oil and gas industry, as most of us  
19 know has tremendously changed since the Exxon Valdez.  
20 Some feel that it's changed too far and the over  
21 regulation is hurting industry now. But be that as it  
22 may, it's a completely different industry here. And as  
23 Ricky mentioned, I think all of us can you look you in  
24 the eye and say that we know we have a great place to  
25 live here. We know that we're being protected by the oil

00061

1 and gas industry. I have two brothers that now, just in  
2 the last year or two, have started to work with the oil  
3 and gas industry. One of my brothers has told me that  
4 they are fired on the spot if they don't report a spill,  
5 right on the spot, they're fired. I mean our standards  
6 of environmental excellence is second to none in the  
7 world. We have nothing to be ashamed of. And I'm from  
8 Nikiski, so I won't say I'm Kenai White Trash, but we're  
9 actually very proud of the oil and gas industry here now.

10 And the jobs that they provide -- I guess  
11 the last comments I'd make, as a grandfather, I have  
12 three children, only one of which lives in the Kenai  
13 Peninsula now because of the lack of jobs. I'd love to  
14 see both of my other children come back and live on the  
15 Peninsula. They're not able to at this point because of  
16 the lack of jobs. I would love for my children, all my  
17 grandchildren to grow up here. But in order to do that  
18 we have to have a vibrant economy, and the oil and gas  
19 industry has been, in the past, and it will hopefully  
20 continue to be, the major engine behind our local  
21 economy.

22 Thank you.

23 MS. ORR: That's it.

24 HEARING OFFICER GOLL: Is there anybody  
25 else that would like to make a statement?

00062

1                   MR. LENTSCH: Good afternoon. My name is  
2 Doug Lentsch. I'm a newcomer to Alaska and have only  
3 lived here in Nikiski for seven and a half years. Before  
4 I came up here I spent most of my career in the Coast  
5 Guard working on oil spills and have been directly  
6 involved in spill response since 1972.

7                   When I was offered a job to come up here,  
8 it was a real easy job to accept because the industry and  
9 the people up here all were aiming at the same goal, that  
10 of having no spills and if there were spills we were  
11 going to minimize damage to the environment.

12                  When the Exxon Valdez happened I was in  
13 Coast Guard headquarters and I had an opportunity to work  
14 a lot with the Alaska legislators and many others in  
15 developing the Oil Pollution Act of 1990 and it has  
16 brought a lot of changes to the oil industry. I heard  
17 numerous times up on congressional hill that the whole  
18 focus of OPA-90 was to force the oil industry to put  
19 their money where it should have been invested a long  
20 time ago and that was in prevention. And since the  
21 passage of OPA-90, the number of oil spills in the United  
22 States cratered. I don't know exactly what it is anymore  
23 but the statistics are that they are way down and not  
24 only is the number of spills way down, the size of spills  
25 is way down.

00063

1                   I am the general manager of Cook Inlet  
2 Spill Prevention and Response Incorporated, and our  
3 company's biggest and only job is to provide spill  
4 response for the oil     industry here in the Inlet. I  
5 can say in the time I've been there that they have been  
6 in full support of everything that we need to do. They  
7 have never turned us down on a request for something that  
8 would improve our capabilities to respond in the Inlet.  
9 And at a time when they are very much struggling to say a  
10 viable industry, they increased our budget this year so  
11 that we would be there in case we were needed.

12                   In the timeframe I've been here, there  
13 have been several spills, none of any significance and  
14 none that I've known that had any impact on the  
15 environment. We work very closely with the oil industry,  
16 with the Cook Inlet Regional Citizens Advisory Council  
17 and anyone else who's interested in developing  
18 contingency plans to make sure that spill response here  
19 is as good as it can be.

20                   I know that MMS and the Regional Citizens  
21 Advisory Council have spent a lot of money looking for  
22 the pollution that the oil industry has caused to the  
23 Inlet and to my knowledge they have found none.

24                   Therefore, we're strongly in support of  
25 the lease sales. We feel that -- well, we're very sure

00064

1 that if there is exploration and then continued  
2 production in the lower part of the Inlet, that the  
3 industry will take the steps that are necessary to ensure  
4 that spills are minimized and then the ones that are  
5 there will be ample equipment and personnel down there to  
6 respond. There is a good basis already in the lower  
7 Inlet. We have contracts for over 120 vessels of all  
8 types to assist us in responding to spills and the  
9 majority of them come from Homer and Seldovia. So the  
10 training that we do with them already provides a sound  
11 basis for spill response in the lower Inlet. The assets  
12 are here. We may have to shuffle them around the Inlet a  
13 little bit to make sure that they're capable. But I  
14 would like to make sure that everybody is aware that the  
15 assets in the Inlet are here. We have a huge support  
16 from the oil industry and that, as an organization that  
17 has over a million dollars just a year in salaries, that  
18 stays here in the Inlet. And that the people who work  
19 for us, they're very concerned that the schools remain,  
20 that the transportation systems remain as good as they  
21 are and that the public services, as far as fire  
22 departments and police departments and those sort of  
23 things are all maintained. And with the industry  
24 providing the good chunk of tax base that provides all of  
25 that, as you've heard numerous times, we want to see that



00065

1 continue.

2                   One point that the folks who complain  
3 consistently about the oil spills fail to take into  
4 consideration is that the people who work the platforms,  
5 that provide for the refinery and all the other support  
6 industry here, they live here, they're not faceless  
7 people from the Lower 48 and they hate to face their  
8 neighbors and say that we screwed up and caused an oil  
9 spill. That's an embarrassment to them. And they do  
10 everything they can to make sure that that doesn't  
11 happen.

12                   So again, we're in complete support of  
13 the lease sales and urge that you go forward. And in the  
14 development of spill contingency planning, we will be in  
15 that as much as necessary.

16                   I'd like to point out that there's been a  
17 lot of press lately on the geographic response strategies  
18 that have been developed in Cook Inlet, both central and  
19 southern Cook Inlet and also along the outer Kenai  
20 Peninsula, that's something that needed to be done but  
21 that's something that's been very heavily supported by  
22 the oil industry. You don't see a lot of their faces at  
23 the table when the plans are being developed, but we are  
24 the representatives there and we will continue to be a  
25 part of that. Those site specific strategies for

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1 environmentally sensitive areas are important to all of  
2 us and they're the right thing to do and the industry has  
3 been in support of that all along.

4 I think that pretty much wraps it up.

5 Thank you.

6 MR. BARROS: Next on the list is Mr. Bill  
7 Popp.

8 MR. POPP: Good afternoon. My name is  
9 Bill Popp. I'm here in my capacity as oil and gas  
10 liaison for the Kenai Peninsula Borough. I'm speaking on  
11 behalf of the Borough Administration today.

12 First of all I want to thank the members  
13 of the Minerals Management Service who have been  
14 diligently traveling about the Kenai Peninsula Borough  
15 taking public comment from the various communities. We  
16 appreciate the time that you've given us in the various  
17 communities to speak to this issue. I also want to thank  
18 the 70-plus or so folks who have made it today to either  
19 speak or observe here in the room. We know it's a very  
20 busy day with a lot of sporting events going on and, you  
21 know, it's unfortunate that scheduling just didn't allow  
22 us to do it at a more convenient time for folks to turn  
23 out, but I think we're going to be seeing a lot of  
24 written comment submitted after today's hearings based on  
25 the recent discussions that have been ongoing in the

00067

1 community.

2 I wanted to wait towards the end to give  
3 my verbal comments. Obviously the Borough will be  
4 submitting written comments from the administration in  
5 regards to this lease sale but I wanted to just give  
6 thought to the observations that I made in the hearings  
7 at Homer and the hearings today and just maybe recap just  
8 a few of the things that I have perceived to be some of  
9 the key issues that I think the Minerals Management  
10 Service has addressed adequately within the scope of your  
11 authority to do so in this lease sale and why the Borough  
12 administration supports Lease Sale 191 and 199, in  
13 conjunction with Alternates 3 and 4. We believe that  
14 those two alternates should be supported, those 300,000-  
15 plus acres should be withdrawn.

16 We have looked at this issue for a number  
17 of years, obviously -- just a little personal note, my  
18 very first -- in my previous role as an Assembly member,  
19 my very first public hearing was attending the public  
20 hearing in Homer for Lease Sale 149 in 1997, so I have a  
21 little bit of background in terms of the history of this  
22 particular sale and this process with the Outer  
23 Continental Shelf. The Borough has made a diligent  
24 effort to try to bring together the various issues that  
25 have arisen in previous sales and have put that together

00068

1 in the document known as the tri-borough's resolution  
2 which has been referenced by the Minerals Management  
3 Service previously. It covers key components of this  
4 issue that are of import to the Kenai Peninsula Borough,  
5 the Kodiak Island Borough and the Laken Peninsula  
6 Borough. I speak only for the Kenai Peninsula Borough  
7 when I address the fact that we believe that the tri-  
8 borough's resolution at this stage of the process of  
9 development has been met to the greatest degree possible.  
10 We believe that the commitment to no offshore loading of  
11 tankers is one of our key issues which has been addressed  
12 by the Minerals Management Service through its  
13 stipulations regarding pipelines for the transportation  
14 of any products produced. We believe that the  
15 information to leaseholders regarding the various hurdles  
16 that they're going to have to leap over regarding spill  
17 plan, spill plans, response plans and prevention plans  
18 once they reach the actual exploration phase and  
19 development and production phase, when those permits can  
20 be specifically addressed by the EPA, the Coast Guard and  
21 other relevant Federal agencies who have the authority to  
22 address those plans, has been addressed to the degree  
23 possible by the Minerals Management Service.

24                   The issues regarding critical habitat, I  
25 believe have been addressed just through, quite frankly,

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1 the two alternates that have been proposed. The  
2 identification of all the critical habitat is important  
3 to those areas and to be sensitive to those areas by  
4 pulling out those acreages to push potential development  
5 further away and to mitigate any potential inference with  
6 those critical habitats.

7                   The way that the Minerals Management  
8 Service has addressed the issues regarding minimizing  
9 conflicts with commercial fishing, sportfishing and  
10 subsistence activities, very component to the tri-  
11 borough's resolution. We believe that those have been  
12 more than adequately addressed through the stipulations,  
13 not information to leaseholders but the stipulations that  
14 are contained within the plan that pretty much demand  
15 that every effort be made to avoid any forms of conflict  
16 with the commercial fishing industries, sportfishing  
17 industries and the subsistence industries.

18                   The issue of revenue sharing, we readily  
19 recognize the Minerals Management Service does not have  
20 the authority granted to it by Congress to decide how to  
21 divvy up money amongst various entities, that's codified  
22 in Federal statute and we recognize that we're probably  
23 going to have to go back and address that with Congress,  
24 however, I want to take a step back and just look once  
25 again one more time, it's been referenced before in this

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1 room but I want to look at it one more time for the  
2 record as to the potential benefits of this lease sale to  
3 the Borough and why we feel that it's going to be making  
4 progress for the Borough as opposed to having impacts  
5 that are unfair to our Borough economy.

6 Oil and gas is a key component to our  
7 economy. \$7.7 million in property taxes will be  
8 collected from State 4356 oil and gas properties for the  
9 Borough this year. \$4.4 million will be collected from  
10 value added industries that rely on the raw feed stocks  
11 that are produced from those industries. So  
12 approximately \$13 million in property taxes. Put that in  
13 perspective, \$43 million are going to be collected in  
14 property taxes in total from the Kenai Peninsula Borough  
15 this year. It's a huge component of our property tax  
16 picture. We can't even begin to calculate the property  
17 taxes that will be collected from the employees who work  
18 for those value added industries and the exploration and  
19 development industries but we would guess that it would  
20 be at least in the seven figures. Sales tax revenues  
21 generated by the economic activities generated by those  
22 industries, once again another component of our economic  
23 picture, how we pay for our schools, our roads, our  
24 emergency services, our waste management services and the  
25 other government services that are important to the

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1 continued health and growth of the Kenai Peninsula  
2 Borough and its communities. This is a very important  
3 issue. Our property tax valuations and the oil and gas  
4 industry are expected to peak in the next tax year. We  
5 do not believe that they will continue to grow as they  
6 have been growing in recent years. We believe that they  
7 will peak, level and potentially start to decline. That  
8 means that there's going to be a decline in that  
9 component of the property tax picture unless we do things  
10 to address the issues of access to resources and to  
11 supporting the value added industries that rely on those  
12 resources that will be developed.

13                   We are very sensitive to the  
14 environmental issues that come up with the exploration of  
15 oil and gas. And we believe that the tri-borough's  
16 resolution is going to be a key component towards the  
17 Borough administration's position on future permitting in  
18 the exploration, development and production phases. It  
19 already is with the existing industries that have been  
20 here for 40 years. We continue to look at these issues.  
21 We continue to look at them with a very skeptical eye to  
22 make sure that the plans that are in place are adequate,  
23 we provide support to CIRCAC, we provide support to the  
24 State of Alaska, in terms of their efforts, through our  
25 ACMP review plans, we have a vested interest in making

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1 sure that our environment is protected to the greatest  
2 degree that is reasonable.

3 So we look at that in conjunction with  
4 the tri-borough's resolution. We will continue to apply  
5 the principles of the tri-borough's resolution as we  
6 proceed through this process.

7 We appreciate the Minerals Management  
8 Service for your efforts. We will be submitting written  
9 comments prior to the February 11th date and we  
10 appreciate this opportunity to provide this testimony.

11 MR. BARROS: Next, is Mr. Paul Zimmerman.

12 MR. ZIMMERMAN: Hi. My name's Paul  
13 Zimmerman. I live in Kasilof, so I'm kind of halfway in  
14 between. I've been here about 25 years and I've heard  
15 people testifying today and I've read about what people  
16 testified in Homer.

17 I remember the last time these leases  
18 were put up. We've heard a lot of talk from people,  
19 individuals in the Borough and the Borough government,  
20 both, that talk about the economic benefits. All these  
21 benefits are based on production. And these leases don't  
22 guarantee any production. As I understand it, the way  
23 the law is written now, we don't benefit from these lease  
24 sales, other than the fact that we might be giving  
25 somebody an opportunity to explore and then possibly



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1 produce something.

2                   Without revenue sharing from the  
3 government, the effects of the exploration are not  
4 mitigated. That puts a tax burden on the public. And I  
5 think that ought to be tied into issuing these leases.  
6 Maybe we don't need to rush ahead, we're talking about a  
7 35 year window that everybody's quoting for the economic  
8 recovery here. Congress could act very quickly, often  
9 time it doesn't. But I think that ought to be tied in  
10 before we issue these leases.

11                   Another thing is the environmental  
12 controls, and everybody wants environmental control,  
13 everybody wants to have a good record, you know, nobody's  
14 going to argue that they don't want that. But there's an  
15 attitude or an outlook that is demonstrated to streamline  
16 leases, the Federal government, present Administration is  
17 lifting environmental controls by executive order. The  
18 atmosphere that could be in place by the time these  
19 leases are acted on may be entirely different than  
20 anything we're talking about today.

21                   So maybe that kind of thing needs to be  
22 tied into these leases. I think the process, those  
23 protections that everybody says can be addressed later,  
24 should be addressed now, and made a part of the lease.  
25 The idea that they can be addressed later, yeah, they

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1 could or they could not.

2                               So until those safeguards and those  
3 revenue sharing things are added to these leases, I would  
4 be opposed to it.

5                               Thank you.

6                               HEARING OFFICER GOLL: Anybody else? If  
7 not, then I thank you all for those of you who testified  
8 and those who came, and we'll be around for a little bit  
9 longer if there are any questions and answers. Thank  
10 you, again. Enjoy the day.

11                               (Off record)

12                               (END OF PROCEEDINGS)

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1 C E R T I F I C A T E

2 UNITED STATES OF AMERICA)  
3 )ss.  
4 STATE OF ALASKA )

5 I, Joseph P. Kolasinski, Notary Public in and for  
6 the state of Alaska, and reporter for Computer Matrix  
7 Court Reporters, LLC, do hereby certify:

8 THAT the foregoing Mineral Management Service  
9 Hearing was electronically recorded by Salena Hile on the  
10 25th day of January 2003, at Kenai, Alaska;

11 That this hearing was recorded electronically and  
12 thereafter transcribed under my direction and reduced to  
13 print;

14 That the foregoing is a full, complete, and true  
15 record of said testimony.

16 I further certify that I am not a relative, nor  
17 employee, nor attorney, nor of counsel of any of the  
18 parties to the foregoing matter, nor in any way  
19 interested in the outcome of the matter therein named.

20 IN WITNESS WHEREOF, I have hereunto set my hand and  
21 affixed my seal this 17th day of February 2003.

22  
23 \_\_\_\_\_  
24 Joseph P. Kolasinski  
25 Notary Public in and for Alaska  
My Commission Expires: 4/17/04 \_